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China/Hong Kong

CIA

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Unrestricted Export of Non-US files
to China via Hong Kong

DATE

CE ACQUIRED
(Y SOURCE)

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Supplement to:

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Responsive to:

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1. US business in Hong Kong has suffered considerably and perhaps unnecessarily by the present US restrictions against the shipment of US-made goods to Hong Kong and especially goods which are considered strategic. Were conditions equal for all there would be no grounds for complaint but there happens to be a considerable difference of opinion as to what are strategic materials. The Hong Kong government has ruled that files (as well as numerous other items) are nonstrategic and may be imported without limit into Hong Kong and may also be re-exported to Communist China legally and freely. The US government on the other hand has ruled that these same items are strategic and cannot be shipped to Hong Kong because of the possibility that they may eventually find their way to Communist China.
2. Under this setup files are being shipped from practically every producing country excepting the US into Hong Kong and most of them find their way to China. China is getting all the files she needs and is even finding herself in a buyer's market. Several Hong Kong dealers told me that the normal and legal shipment of files to China has become unattractive because the keen competition between Hong Kong suppliers has brought prices down to extremely competitive levels. Another factor is that buyers in China have in recent months tended more and more to place direct orders with manufacturers, thus by-passing Hong Kong and further reducing price levels. In short, China now has a surplus of files and yet we are prohibited from shipping US files to Hong Kong, for Hong Kong requirements only, to make doubly sure that no US files reach China.

July

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